

Joint Plan for Bill 21 Transition Terms of Reference

Municipal Government Act Review

The *Municipal Government Act* (“MGA”) is the statute that creates Alberta’s municipalities and gives their councils the responsibility to develop and maintain safe and viable local communities. The MGA explicitly grants “broad authority to councils . . . to govern municipalities in whatever way the councils consider appropriate” [MGA Section 9(a)] but also places certain limits and restrictions on how municipalities may operate and how they are empowered to raise and account for their operating and capital funds.

In 2014, the Government of Alberta (“GoA”) embarked on a province-wide consultation process with a view to implementing the first comprehensive review of the MGA since 1994. In May 2016 the GoA introduced a series of changes to modernize the MGA, known as the *Modernized Municipal Government Act*, more commonly referenced as “Bill 21”.

An important element of Bill 21 is the introduction of the concept of the “tax ratio”, defining the limits of the permissible disparity in any municipality between its tax rates on residential and non-residential property classes. The RMWB is currently at an 18.3/1 tax ratio [non-residential to residential] and agrees to work within a mutually collaborative process to achieve whatever tax ratio the legislation prescribes in its final version, over whatever period of time is either (a) prescribed in the legislation or regulations; or (b) agreed upon by stakeholders including the RMWB and the oil sands industry for recommendation to the GoA. [As introduced for first reading, Bill 21 provides for a 5:1 tax ratio with grandfathering of those municipalities that currently exceed this ratio and specific requirements to deal with such non-conforming municipalities to be determined by regulation.]

Preamble

Over its history the Wood Buffalo region has had to contend with a series of unprecedented challenges ranging from global and regional economic turbulence, supply and demand of skilled workers, distance, rapid growth and other major factors that arise from being one of the world’s largest generators of wealth and jobs. The infrastructure challenges created by exponential growth in the oil sands industry experienced by the RMWB during this time were compounded by aging infrastructure and the inability to keep pace with development. The pace of development and impact on the community due to lack of infrastructure were felt in advance of industry contributions in the form of taxation.

While no one individual or entity can accurately predict or manage what will happen in the future, the greater risk is in not planning, not pulling together and not taking action to prepare for the things that are necessary to build for tomorrow.

In these turbulent times, we are challenged with preparing a plan to adhere to the revised MGA. Such a plan must account for the need to maintain municipal services, and to develop a long term fiscal and budgetary strategy to ensure a sustainable community. This will help the RMWB provide stable services at a level comparable to those enjoyed by other Albertans, at a cost that does not exceed the costs experienced in other communities with an appropriate adjustment to account for the uniqueness of the RMWB among municipalities, including its remoteness from other population centres, its vast size, the diversity of its residents, its very short annual construction season and other factors to be determined. The intent is to “build a sustainable

region for the future” that will continue to attract residents to the region to live, work, and play, and provide a viable alternative to fly in/fly out where economically feasible.

While the changes to the MGA that will occur with the passage of Bill 21 are mandatory, it is all about working together with honest conversations at the table to develop the appropriate process and timelines to build a sustainable region for the future.

Together, we can show leadership by addressing the complex and wide-ranging issues facing our region and allow the time needed for the municipality to engage residents and other key stakeholders to help get the details right.

With this task in mind, the following process has been developed to provide a path forward for preparing future budgets, focused spending and tax rate alignment within our region and with similar municipalities across the province. The RMWB has already been working to identify cost saving initiatives and ensure that operating and capital budgets align with current and projected population needs. It is recognized that the RMWB’s revenue (and consequently industry’s tax burden) are a function not solely of tax rates, but also of assessment values and methodologies. Opportunities to impact both tax rates and assessment values will therefore be investigated to provide a range of potential solutions to the revenue/tax burden issue.

The first step in working collectively is to have a shared vision of success: what are the rules, what strategies will serve us, and how will we know when we have achieved success?

Vision:

The Wood Buffalo Steering Group (the Steering Group) consists of the Mayor and RMWB officials and industry leaders (industry working group) together co-operatively and collaboratively preparing a Plan for recommendation to the RMWB Council to develop prudent fiscal strategies which will in turn lead to recommendations to the GoA with respect to property tax and assessment principles to create and sustain safe and viable communities within the region.

Objective:

The Steering Group will develop a Plan for the RMWB to provide a standard of operating and capital services and facilities to residents, consistent with similarly sized Alberta municipalities while reflecting the region’s uniqueness, and aligned with the requirements of the revised MGA and the related principles included herein.

The Plan will set out the strategy, scope, timeframe, and monitoring process for the RMWB to achieve the requirements of the revised MGA.

It is important that the Plan not only address the tax burden for industry, but also recommend a manageable solution that addresses first and foremost a sustainable fiscal strategy for the RMWB.

Principles:

1. The Steering Group will work together to develop a new fiscal management strategy (the Plan) which includes goals to balance services, spending and taxation appropriately, including:
 - a. A long term capital and maintenance strategy;

- b. A five-year capital and maintenance plan and budget, to be updated annually;
 - c. A three-year operating plan and budget, to be updated annually;
 - d. Annual goals for the above referenced;
2. RMWB's fiscal management strategy and spending will:
 - a. Be competitively adjusted to take into account both costs in comparable Alberta municipalities and the cost of doing business and the uniqueness of our large specialized municipality;
 - b. Recognize both urban and rural community needs;
 - c. Consider and incorporate all debt levels and reserve funds of the municipality and future commitments of RMWB.
 3. The Plan will lead to a declining annual tax ratio culminating with achieving the tax ratio prescribed in the amended MGA after passage of Bill 21, over time in accordance with legislation or regulations, or as agreed by stakeholders for recommendation to the GoA.
 4. The Plan will provide for Identifying and utilizing benchmarks for operating and capital costs and service levels in order to establish, monitor and achieve annual targets for levels of service similar to those provided by comparable Alberta municipalities based on annual workforce and population projections.
 5. The Plan will be based on realistic and obtainable solutions, executable by the municipality within the identified timelines. The Industry Working Group and the RMWB will provide input and support to inform decisions (e.g. production, workforce and population forecasts) and will strive to ensure mutual understanding of the information provided.
 6. RMWB will develop and execute a regional community engagement plan to seek resident and stakeholder input and publicly report on progress on a bi-annual basis.
 7. RMWB and industry will work collaboratively to create and support a thriving local economy and community

Mechanism:

1. Engage experienced external consultant to define evidence based benchmarks and parameters
2. Apply appropriate tools such as the population model to provide credible sources of data and input.
3. Develop appropriate task groups to review and analyze capital and operating planning, optimization and efficiencies.
4. Support process with project management resource (industry to provide).

Schedule:

1. Wood Buffalo Steering Group to jointly draft a terms of reference for the 'Joint Plan for Bill 21 Transition' for Council approval on November 22nd ;
2. Full Transition Plan development will be reviewed and approved by RMWB Council by January 10, 2017.
3. Thereafter, the Plan will be jointly forwarded by the Steering Committee to the Alberta Minister of Municipal Affairs.
4. Plan implementation begins in 2017 fiscal year.

Deliverables:

1. Documented Plan to achieve the objectives and schedule and adhere to the vision and principles.
2. Documented benchmarks, data and rationale to inform evidence-based recommendations.

Communications:

A communications plan will be developed jointly by the parties to inform Alberta Municipal Affairs as to the Plan, timelines and implementation.